

## Corporate Governance Report

**The Board of Directors is responsible for the overall governance of the National Bank of Bahrain. The Board ensures that high ethical standards are established across the Bank and regularly reviews the Bank’s compliance with the Central Bank of Bahrain (CBB) regulations regarding corporate governance. The Board recognises that good corporate governance is a vital ingredient in the creation of sustainable shareholder value and protecting the interests of all stakeholders.**

Maintaining the best standards of corporate governance has provided the Bank’s customers, counterparties, shareholders, regulators, employees and rating agencies with a high degree of confidence in our institution; achieved an appropriate balance between long-term growth and short-term objectives; created a sound portfolio of assets, a stable customer base, income diversity as well as the ability and resources to face economic cycles and uncertainties. The Board has set the moral tone for the Bank with a high degree of intolerance for any instances of malpractice, fraud and unethical behaviour and ensured the highest degree of adherence to laws, rules and regulations.

### Board of Directors

The Board’s composition is governed by the Bank’s Memorandum and Article of Association and comprises of eleven members. Four Members of the Board of Directors are appointed by Bahrain Mumtalakat Holding Company, which holds 44.18% of the Bank’s share capital and one Member is appointed by Social Insurance Organization, which holds 10.88% of the Bank’s Share Capital. The remaining six Members of the Board of Directors are elected by secret ballot at the ordinary general meeting of the shareholders, by a simple majority of valid votes. The six Members of the Board of Directors elected by the shareholders remain in office for a term not exceeding three years, which may be renewed. In order to be eligible for being nominated for directorship, the individuals concerned should meet the ‘fit and proper’ criteria established by the Central Bank of Bahrain and their appointment is subject to prior approval by the Central Bank of Bahrain. The present Board of Directors was elected at the Annual General Meeting in March 2018 and their term expires at the Annual General Meeting to be held in March 2021.

On joining NBB’s Board, all Directors are provided with a “Directors Kit” which includes the Bank’s Memorandum and Articles of Association, key policies, terms of reference of the Board and its

sub-committees and Corporate Governance guidelines. Induction sessions are also held with the Chairman and Chief Executive Officer which focuses on business profile, opportunities, challenges and risks faced by the Bank.

In accordance with the definitions stipulated by the CBB, Directors are categorised as independent, executive and non-executive. The Board currently comprises of five independent directors and six non-executive directors. The roles of the Chairman and the Chief Executive Officer are separate and exercised by different persons.

The Board’s primary responsibility is to deliver sustainable value to all stakeholders by charting the strategic direction of the Bank as well as setting the risk appetite and the overall capital structure of the Bank. The Board is also responsible for monitoring Management’s running of the business within the agreed framework. The Board seeks to ensure that the Management strikes an appropriate balance between long-term growth and the short-term objectives. The Board is ultimately accountable and responsible for the affairs and performance of the Bank. Accordingly, the main functions of the Board are:

- Maintain an appropriate Board Structure.
- Maintain an appropriate management and organisation structure in line with the Bank’s business requirements.
- Plan the strategic future of the Bank, approve annual business plans, approve and monitor major initiatives.
- Monitor the operations framework of the Bank and the integrity of internal controls.
- Ensure compliance with laws and regulations.
- Monitor the Bank’s performance and approve financial results, ensure transparency and integrity in stakeholders reporting including financial statements.
- Evaluate periodically the Board’s own performance including that of Board sub-committees.
- Assure equitable treatment of all shareholders including minority shareholders.

The Chairman is mainly responsible for the leadership of the Board, ensuring that it operates effectively and fully discharges its legal and regulatory responsibilities.

The Board of Directors meets regularly throughout the year and maintains full and effective control over strategic, financial, operational, internal control and compliance issues. As per its terms of reference, the Board shall meet at least once every calendar quarter.

In its role as the primary governing body, the Board of Directors provides oversight for the Bank’s affairs and constantly strives to improve and build on the Bank’s strong corporate governance practices. The business performance of the Bank is reported regularly to the Board of Directors. Performance trends as well

as performance against budget and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board and are consistently applied. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets.

The Board of Directors has unlimited authority within the overall regulatory framework. The Board has delegated approval authorities to its sub-committees and Members of Management; all transactions falling outside the delegated limits are referred to the Board for approval. In addition, the Board approves on a yearly basis the annual budget and operating limits for various activities of the Bank.

### Committees of the Board of Directors

The Board has set up several sub-committees which provide effective support to the full Board in carrying out its responsibilities. These include the Executive Committee, the Audit Committee, the Nomination, Remuneration and Governance Committee, the Risk Committee and the Donations and Contributions Committee.

#### Executive Committee

The Executive Committee comprises of not more than five Board Members selected and appointed by the Board, with at least two of the members being independent directors. The Executive Committee meets at least six times a year. The role of the Committee is to assist the Board of Directors in fulfilling its responsibilities with regard to lending and investments in debt securities, as well as any other matters not delegated to a specific Board Committee. Accordingly, the Executive Committee is empowered to approve specific credit and investment proposals, review budgets, plans and major initiatives for eventual submission to the Board for approval, and to monitor the Bank’s performance against business plan objectives.

#### Audit Committee

The Audit Committee comprises of three non-executive Board members selected and appointed by the Board, two of which are independent directors. The Committee shall meet at least four times a year. The primary function of the Committee is to reinforce the internal and external audit process and assist the Board of Directors in fulfilling its responsibility in ensuring an effective system of internal control and risk management. The Audit Committee is responsible for recommending to the Board of Directors, the appointment and compensation of the external auditors, reviewing the integrity of the Bank’s financial reporting, reviewing the activities and performance of the internal audit function and reviewing compliance with relevant laws, regulations and code of conduct.

The Audit Committee is supported by the Internal Audit Department, which regularly monitors the system of internal controls. Monitoring includes an assessment of the risks and controls in each operating unit and matters arising therefrom are reported to the Audit Committee on a regular basis.

### Donation and Contributions Committee

The committee is created to manage the distribution of funds allocated towards corporate donations and contributions. The Committee is comprised of a maximum of four Board Directors and two members of management as decided by the Board of Directors. The allocated annual contribution towards the fund is equivalent to 5% of the Bank’s net profit.

### Risk Committee

The Risk Committee comprises of four members selected and appointed by the Board. It includes two directors and two independent advisors. The Risk Committee meets at least four times a year. The role of the Committee is to oversee and monitor the risk management framework established by the Board of Directors including reviewing and reporting its conclusions and recommendations to the Board on the Bank’s current and future risk appetite and policies. The Committee is additionally responsible for overseeing and assessing the compliance framework of the Bank.

### Nomination, Remuneration and Governance Committee

The Nomination, Remuneration and Governance Committee comprises of four Board Members selected and appointed by the Board of Directors. A minimum of one Director must be independent and attending every meeting. The Committee meets at least three times a year. The role of the Nomination, Remuneration and Governance Committee is to assist the Board in fulfilling its responsibilities with regard to the nomination, remuneration policies and corporate governance guidelines of the Bank based on regulatory requirements or industry best practices. The Committee has the mandate of identifying persons qualified to become members of the Board, CEO, CFO, Corporate Secretary, and any other officer positions as considered appropriate by the Board. The Committee also has the responsibility of reviewing and recommending the remuneration policies for the Board of Directors and senior management.

## Corporate Governance Report (continued)

## Board Meetings and Attendance

The Board of Directors and the sub-committees of the Board meet regularly to effectively discharge their responsibilities. For meeting the requirements of the Corporate Governance Code and the CBB Rulebook, the Bank considers attendance of Directors at Board and sub-committee meetings. A summary of the Board meetings and sub-committee meetings held during the year 2019 and attendance are detailed below:

Name of the Director	Board		Executive Committee		Audit Committee		Risk Committee		Nomination, Remuneration and Governance Committee		Total		% of Meetings attended
	Total No of meetings*	Meetings attended	Total No of meetings	Meetings attended	Total No of meetings	Meetings attended							
<b>Farouk Yousuf Khalil Almoayyed</b> Chairman	6	6							4	4	10	10	100%
<b>Dr. Essam Abdulla Fakhro</b> Deputy Chairman	5	5	5	5					4	4	14	14	100%
<b>Fawzi Ahmed Kanoo</b> Deputy Chairman	6	6	5	5							11	11	100%
<b>Khalid Yousif Abdulrahman Abdulrahim</b> Director	5	5			5	5					10	10	100%
<b>Hussain Sultan Sultan Al Ghanem</b> Director	6	6	5	5							11	11	100%
<b>Khalid Omar Al Romaihi</b> Director	6	5					4	3			10	8	80%
<b>Sh. Rashid Bin Salman Al-Khalifa</b> Director	5	5	5	5					4	4	14	14	100%
<b>Hala Ali Hussain Yateem</b> Director	6	6			5	5					11	11	100%
<b>Rishi Kapoor</b> Director	6	6					4	4			10	10	100%
<b>Mohamed Tareq Mohamed Sadeq Mohamed Akbar</b> Director	6	6			5	5					11	11	100%
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	6	6	5	5					4	4	15	15	100%

\* One Board meeting was Ad-hoc. Conflicted Members did not attend this meeting.

## Dates of meetings and attendance details:

Board Meetings: Total number of meetings held: 6

Members	Meeting dates					
	28/1/2019	24/2/2019 (Ad hoc)	17/4/2019	16/7/2019	23/10/2019	20/11/2019
<b>Farouk Yousuf Khalil Almoayyed</b> – Chairman	✓	✓	✓	✓	✓	✓
<b>Dr. Essam Abdulla Fakhro</b> – Deputy Chairman	✓	X (conflict of interest)	✓	✓	✓	✓
<b>Fawzi Ahmed Kanoo</b> – Deputy Chairman	✓	✓	✓	✓	✓	✓
<b>Khalid Yousif Abdulrahman Abdulrahim</b> – Director	✓	X (conflict of interest)	✓	✓	✓	✓
<b>Hussain Sultan Sultan Al Ghanem</b> – Director	✓	✓	✓	✓	✓	✓
<b>Khalid Omar Al Romaihi</b> – Director	✓	✓	✓	X	✓	✓
<b>Sh. Rashid Bin Salman Al Khalifa</b> – Director	✓	X (conflict of interest)	✓	✓	✓	✓
<b>Hala Ali Hussain Yateem</b> – Director	✓	✓	✓	✓	✓	✓
<b>Rishi Kapoor</b> – Director	✓	✓	✓	✓	✓	✓
<b>Mohamed Tareq Mohamed Sadeq Mohamed Akbar</b> – Director	✓	✓*	✓	✓	✓	✓
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> – Director	✓	✓	✓	✓*	✓	✓

\* Attended by phone

## Board Meetings and Attendance (continued)

Executive Committee Meetings: Total number of meetings held: 5

Members	Meeting dates				
	13/2/2019	28/3/2019	27/6/2019	26/9/2019	11/12/2019
<b>Dr. Essam Abdulla Fakhro</b> – Deputy Chairman and Chairman of Executive Committee	✓	✓	✓	✓	✓
<b>Fawzi Ahmed Kanoo</b> – Deputy Chairman	✓	✓	✓	✓	✓
<b>Hussain Sultan Sultan Al Ghanem</b> – Director	✓	✓	✓	✓	✓
<b>Sh. Rashid Bin Salman Al Khalifa</b> – Director	✓	✓*	✓	✓	✓
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> – Director	✓	✓	✓	✓*	✓*

\* Attended by phone

Audit Committee Meetings: Total number of meetings held: 5

Members	Meeting dates				
	20/1/2019	23/1/2019	16/4/2019	15/7/2019	22/10/2019
<b>Khalid Yousif Abdulrahman Abdulrahim</b> – Director and Chairman of Audit Committee	✓	✓	✓	✓	✓
<b>Hala Ali Hussain Yateem</b> – Director	✓	✓	✓	✓	✓
<b>Mohammed Tareq Mohammed Sadeq Mohamed Akbar</b> – Director	✓	✓	✓	✓	✓

Risk Committee: Total number of meetings held: 4

Members	Meeting dates			
	14/4/2019	9/7/2019	14/10/2019	19/11/2019
<b>Khalid Omar Al Romaihi</b> – Director and Chairman of Risk Committee	X	✓	✓	✓
<b>Rishi Kapoor</b> – Director	✓	✓*	✓*	✓
<b>Sabah Al Moayyad</b> , Non-Director – Advisor to the Board	✓	✓	✓	✓
<b>Matthew Deakins</b> , Non-Director – Advisor to the Board	✓	✓	✓	✓

\* Attended by phone

Nomination, Remuneration and Governance Committee Meetings: Total number of meetings held: 4

Members	Meeting dates			
	28/1/2019	13/2/2019	16/7/2019	27/11/2019
<b>Farouk Yousuf Khalil Almoayyed</b> – Chairman of the Board and Chairman of the NRG	✓	✓	✓	✓
<b>Dr. Essam Abdulla Fakhro</b> – Deputy Chairman	✓	✓	✓	✓
<b>Sh. Rashid Bin Salman Al Khalifa</b> – Director	✓	✓	✓	✓
<b>Yusuf Abdulla Akbar Ali Reza</b> – Director	✓	✓	✓*	✓*

\* Attended by phone

## Corporate Governance Report (continued)

### Management Structure

The Board has established a management structure that clearly defines roles, responsibilities and reporting lines, the details of which are annexed to this report.

Within the management structure there are separate committees responsible to meet on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

Committee Name	Members	Objective
<b>1- Weekly Executive Committee Meeting (WEM)</b>	1- Jean-Christophe Durand – Chief Executive Officer 2- Abdulaziz Al Ahmed – Chief Executive, Strategic Accounts 3- Hussain Al Hussaini – Chief Executive, Treasury Capital Markets and Wealth Management 4- Dana Buheji – Chief Human Resources Officer 5- Yaser AlSharifi – Chief Strategy Officer 6- Hisham Al Kurdi – Chief Executive, Corporate and Institutional Investment Banking 7- Iain Blacklaw – Chief Operating Officer 8- Russell Bennett – Chief Financial Officer 9- Gaby El Hakim – Chief Legal Officer and Corporate Secretary 10- Isa Maseeh – Chief Risk Officer 11- Richard Hicks – Chief Marketing Officer 12- Bruce Wade – Chief Executive, Financial Restructuring 13- Subah Al Zayani – Head of Retail Banking	The Weekly Executive Committee Meeting (WEM) meets on a weekly basis and was created by the Bank to provide a regular forum for the discussion of strategic matters among senior management. While the WEM does not have any decision making powers, it serves as an advisory role and provides a sounding forum for the major decisions or actions that need to be taken by the Chief Executive Officer or the other Chief Executives within their delegation.
<b>2- Management Credit Committee</b>	<b>Permanent Members:</b> 1- Jean-Christophe Durand – Chief Executive Officer (Chairman) 2- Isa Maseeh – Chief Risk Officer 3- Yaser AlSharifi – Chief Strategy Officer 4- Ali Ehsan – Chief Credit Officer  <b>Temporary Members:</b> 5- Hisham Al Kurdi – Chief Executive - Corporate and Institutional Investment Banking 6- Hussain Al Hussaini – Chief Executive, Treasury, Capital Markets and Wealth Management 7- Abdulaziz Al Ahmed – Chief Executive, Strategic Accounts	<ul style="list-style-type: none"> <li>- Overseeing the effective implementation of the credit risk framework of the Bank.</li> <li>- Approving credit proposals and monitoring the credit portfolio in line with the defined risk appetite and policies of the Bank.</li> </ul>
<b>3- Operational Risk Management Committee (ORMC)</b>	1- Jean-Christophe Durand – Chief Executive Officer 2- Isa Maseeh – Chief Risk Officer (Chairman) 3- Iain Blacklaw – Chief Operating Officer 4- Jaffar Mohammed - Head of Operational Risk 5- Hisham Al Kurdi – Chief Executive - Corporate and Institutional Investment Banking 6- Dana Buheji – Chief Human Resources Officer 7- Nabeel Mustafa – Head of Network Management, Strategy and Sales 8- Panos Moschonas – Chief Internal Auditor (Observer)	<ul style="list-style-type: none"> <li>- Review and assess different aspects of risk arising from the Bank's business processes (i.e. operational risks, technology risk, BCP, DR, legal risk, compliance risks and compliance with internal controls) to ensure that material risks are captured, monitored and mitigated.</li> <li>- Serve as a forum for senior management to discuss, evaluate and decide key operational risk issues concerning all division of the bank.</li> </ul>

### Management Structure (continued)

Committee Name	Members	Objective
<b>4- Asset Liability Committee (ALCO)</b>	1- Jean-Christophe Durand – Chief Executive Officer (Chairman) 2- Yaser AlSharifi – Chief Strategy Officer 3- Hussain Al Hussaini – Chief Executive, Treasury Capital Markets and Wealth Management 4- Hisham Al Kurdi – Chief Executive, Corporate and Institutional Investment Banking 5- Russell Bennett – Chief Financial Officer 6- Isa Maseeh – Chief Risk Officer 7- Jaafar Husain – Head Liquidity and Market Risk 8- Nabeel Kazim – Head of Bank Operations 9- Ali Al Moulani – Head of Treasury and ALM 10- Subah Al Zayani – Head of Retail Banking 11- Maha Al Mahmood – Head of Treasury Sales	<ul style="list-style-type: none"> <li>- Serve as a forum for senior management discussion and evaluation of key issues concerning the Bank's balance sheet structure and performance, pricing of assets and liabilities, funding and capital planning, contingency planning, market risk, interest rate risk, and liquidity risk.</li> <li>- Ensure that appropriate action consistent with market developments and the Bank's policies are taken to address the above key issues.</li> </ul>
<b>5- Retail Steering Committee</b>	1- Jean-Christophe Durand – Chief Executive Officer (Chairman) 2- Yaser AlSharifi – Chief Strategy Officer 3- Iain Blacklaw – Chief Operating Officer 4- Dana Buheji – Chief Human Resources Officer 5- Subah Al Zayani – Head of Retail Banking	Ensure proper execution of the Retail strategy as well as Branch refurbishment, Cards Business strategy and overall Retail performance.
<b>6- Project Steering Committee (PSG)</b>	1- Jean-Christophe Durand – Chief Executive Officer (Chairman) 2- Yaser AlSharifi – Chief Strategy Officer 3- Iain Blacklaw – Chief Operating Officer 4- Isa Maseeh – Chief Risk Officer 5- Russell Bennett – Chief Financial Officer 6- Abdulla Buali – Head of Project Management Office 7- Muneera Mahmood – Project Specialist	<ul style="list-style-type: none"> <li>- To ensure that the strategic programmes and major projects as approved by the management are successfully implemented.</li> <li>- To monitor issues raised through the PMO, project sponsors, and other programme committees are resolved and that progress is made according to the approved plans and approved financial budgets.</li> </ul>
<b>7- Group Compliance Management Committee</b>	1- Jean-Christophe Durand – Chief Executive Officer 2- Eduardo Rangel – Chief Compliance Officer (Chairman) 3- Dana Buheji – Chief Human Resources Officer 4- Isa Maseeh – Chief Risk Officer 5- Hisham Al Kurdi – Chief Executive, Corporate and Institutional Investment Banking 6- Nabeel Mustafa – Head of Network Management and Strategy 7- Arif Janahi – Head of Commercial and SME 8- Panos Moschonas – Chief Internal Auditor (Observer)	<ul style="list-style-type: none"> <li>- Review and approve group-wide processes, policies and procedures related to the Bank's financial crime and regulatory compliance framework.</li> <li>- Approve and periodically review the Compliance Maturity Model and the annual Compliance Plan.</li> <li>- Discuss the compliance management dashboards, KRIs, KPIs residual risks, compensating controls and mitigating controls for RCSAs.</li> <li>- Monitor the adherence of the Bank to the Central Bank of Bahrain (CBB) requirements in the relevant rule book volumes and modules.</li> <li>- Review and monitor compliance risk management status on the Bank's branches and overseas operations.</li> <li>- Review and consider for approval the Bank's compliance risk framework at least annually.</li> </ul>

## Corporate Governance Report (continued)

## Management Structure (continued)

Committee Name	Members	Objective
<b>8- Digital Advisory Committee (DAG)</b>	1- Yaser AlSharifi – Chief Strategy Officer (Chairman) 2- Iain Blacklaw – Chief Operating Officer 3- Hisham Al Kurdi – Chief Executive, Corporate and Institutional Investment Banking 4- Richard Hicks – Chief Marketing Officer 5- Subah Al Zayani – Head of Retail Banking 6- Razi Amin – Head of Information Technology	To define the digital direction of the bank, govern the digital initiatives and projects and support business transformation via: <ul style="list-style-type: none"> <li>- Understand the digital priorities of the bank.</li> <li>- Review the solutions and evaluate these to the bank.</li> <li>- Align IT to the bank's direction and priorities in a planned manner to ensure effective and efficient utilization of technology.</li> <li>- Ensure that staffing, technology and investment are available to ensure reliable and timely services and projects.</li> <li>- Oversee all Digital related Projects and Initiatives.</li> </ul>
<b>9- Information Security Steering Committee (ISSC)</b>	1- Isa Maseeh – Chief Risk Officer (Chairman) 2- Eduardo Rangel – Chief Compliance Officer 3- Iain Blacklaw – Chief Operating Officer 4- Panos Moschonas – Chief Internal Auditor (Observer) 5- Razi Amin – Head of Information Technology 6- Ali Al Majed – Head of Information Security 7- Nabeel Mustafa – Head of Network Management, Strategy and Sales 8- Ali AlSaegh - Head of Information Technology Security 9- Husam Saoudi –Manager-Information Security Risk (Secretary)	<ul style="list-style-type: none"> <li>- Set the direction in establishing an Information Security Management System (ISMS).</li> <li>- Review and recommend security policies to the Board of Directors for approval.</li> <li>- Review the periodical information security reports.</li> <li>- Ensure that processes are created to measure the effectiveness of the security controls specified in this policy.</li> <li>- Approve the Bank's information security projects and monitor their implementation.</li> </ul>
<b>10- Business Continuity Management Committee</b>	1- Iain Blacklaw – Chief Operating Officer (Chairman) 2- Isa Maseeh – Chief Risk Officer 3- Razi Amin – Head of IT 4- Haitham Seyadi – Head of Property, Procurement and Administration 5- Nabeel Mustafa – Head of Network Management, Strategy and Sales 6- Nabeel Kazim – Head of Bank Operations 7- Jaffar Mohamed – Head of Operational Risk 8- Rashid Abdul Rahman – IT infrastructure Manager (Secretary)	<ul style="list-style-type: none"> <li>- Ensure effective continuance of the Bank's operations in the event of a moderate, major or potentially catastrophic incident.</li> <li>- Establish, review and test Bank wide business continuity and disaster recovery plans</li> <li>- Coordinate the planning and delivery of the training on crises and emergency management and disaster recovery</li> </ul>

The Chief Compliance Officer reports directly to the Board Risk Committee and administratively to the CEO. The Corporate Secretary has direct access to the Board of Directors in accordance with Corporate Governance requirements.

## Performance evaluation of Board and sub-committees

The Board of Directors has conducted a self-evaluation of the performance of the Board and its sub-committees for the year 2019. This was carried out through the completion of a structured questionnaire on the effectiveness and contribution of each member against certain pre-defined criteria as per the mandate of the Board and each Board sub-committee. The Nomination, Remuneration and Governance Committee is responsible for overseeing the process and the findings were presented to the Board of Directors in the first quarter of 2020 which confirms that NBB's Board and its sub-committees continue to operate with a high level of effectiveness.

## Related party transactions and conflict of interest

Directors have a duty under the Commercial Companies Law, the CBB's regulations and the Bank's corporate governance policy to avoid situations in which they may have conflicts of interest with those of the Bank, unless they are specifically authorised by the Board of Directors. This includes potential conflicts that may arise when a Director takes up a position with another company or has any material transactions with the Bank.

The Bank has policies and procedures for handling related party transactions including loans and advances to directors, senior management and their related parties, as well as transactions and agreements in which a Director or an employee has a material interest. In addition, exposures to directors and senior management are governed by the regulations of the CBB. Details of related party transactions involving the Bank in 2019 are disclosed in Note 28 of the financial statements.

As per the Bank's policy, the Directors concerned do not participate in decisions in which they have or may have a potential conflict of interest.

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law. They are entered into following the satisfaction of the Bank's tender processes and procedures to ensure that the Bank receives optimal services from its counterparties at the best pricing available. Decisions relating to the approval of related party transactions, whether with connected parties of Directors, Controllers or significant shareholders of the Bank, or employees are approved after appropriate disclosures have been made and the related parties and their connected persons refrain from participating in the decision making process. The Bank's shareholders are referred to Note 28 of the financial statements setting out disclosures of related party transactions in compliance with Article 189(C) of the Commercial Companies Law. The Board of Directors is satisfied with the procedures in place for the approval of related party transactions and the outcomes of related party contracts entered into in 2019.

## Employment of Relatives

The Bank has a Board approved policy in place on employment of relatives to prevent the potential favouritism and conflict of interest in decision-making due to factors of blood relations amongst employees and Board of Directors including Approved Persons.

## Code of Conduct

The Board has adopted a comprehensive Code of Conduct that provides a framework for directors, officers and employees on the conduct and ethical decision making integral to their work. All officers and employees subscribe to this Code and are expected to observe high standards of integrity and fairness in their dealings with customers, regulators and other stakeholders.

## Whistle Blower policy

The Board has adopted a Whistle Blower policy which provides all employees with the opportunity to access in good faith, the Audit Committee or the CEO (who will keep the Chairman of the Audit Committee informed of the facts as received by him) any instances they observe regarding unethical and improper practices or any other wrongful conduct of a financial or legal nature in the Bank and to prohibit managerial personnel from taking adverse action against employees for doing so. The policy is available on the website of the Bank.

## Communication Strategy

The Bank has a public disclosure policy approved by the Board of Directors. The Bank is committed to support the timely and accurate disclosure of material information in accordance with the requirements set out in the rules and regulations of the CBB and the Bahrain Bourse as well as other applicable laws, to facilitate efficient capital market activities. The Bank believes in the principle of transparency about its financial performance thus enabling all stakeholders to have access to such information on a timely basis. In addition to the annual audit, the external auditors conduct reviews on the Bank's quarterly financial statements. These statements are subsequently published in the newspapers and posted on the Bank's website in accordance with regulatory requirements. The annual report including the complete financial statements for the current financial year and a minimum of five preceding financial years are provided on the Bank's website.

## Fines and Penalties

The following penalties were paid by the Bank to the CBB during the year: (a) BHD 20 relating to old and new currency notes sorting (b) BHD 7,200 on delay in submission of the reporting requirement stipulated in paragraph BR-1.1.3 of the CBB's rulebook.

## Corporate Governance Report (continued)

## Directors and senior management interests

The number of shares held by directors and their related parties and trading during the year is as follows:

Name	Type of shares	31 December 2019 <sup>1</sup>	Sales during 2019	Purchases during 2019	31 December 2018
Farouk Yousuf Khalil Almoayyed - Chairman	Ordinary	24,916,022	-	-	22,650,930
Dr. Essam Abdulla Fakhro - Deputy Chairman	Ordinary	10,854,446	-	-	9,867,680
Fawzi Ahmed Kanoo - Deputy Chairman	Ordinary	96,535	-	-	87,760
Khalid Yousif Abdulrahman Abdulrahim - Director	Ordinary	24,795,523	-	519,403	22,021,982
Hussain Sultan Sultan Al Ghanem - Director	Ordinary	-	-	-	-
Khalid Omar Al Rumaihi - Director	Ordinary	-	-	-	-
Sh. Rashid Salman Mohamed Al Khalifa - Director	Ordinary	-	-	-	-
Hala Ali Hussain Yateem - Director	Ordinary	4,668,713	-	-	4,244,285
Rishi Kapoor - Director	Ordinary	-	-	-	-
Mohamed Tareq Mohamed Sadeq Mohamed Akbar- Director	Ordinary	-	-	-	-
Yusuf Abdulla Yusuf Akbar Alireza - Director	Ordinary	-	-	-	-
<b>Total shares</b>		<b>65,331,239</b>	<b>-</b>	<b>519,403</b>	<b>58,872,637</b>
<b>As a % of the total number of shares</b>		<b>4.23%</b>			<b>4.20%</b>

<sup>1</sup> Shares as at 31 December 2019 include bonus shares issued during the year (where applicable) at the rate of one additional share for every ten shares held.

The number of shares held by senior management and their related parties and trading during the year is as follows:

Name	Type of shares	31 December 2019 <sup>1</sup>	Sales during 2019	Purchases during 2019 <sup>2</sup>	31 December 2018
Jean-Christophe Durand - Chief Executive Officer	Ordinary	156,817	-	156,817	-
Hussain Al Hussaini - Chief Executive, Treasury, Capital Markets and Wealth Management	Ordinary	236,602	-	236,602	-
Abdulaziz Al Ahmed - Chief Executive Strategic Accounts	Ordinary	552,244	-	212,264	309,073
Bruce Wade - Chief Executive, Financial Restructuring	Ordinary	57,638	90,000	97,375	47,512
Dana Buheji - Chief Human Resources Officer	Ordinary	-	42,725	17,509	22,924
Iain Blacklaw - Chief Operating Officer	Ordinary	24,839	-	24,839	-
Yasser AlSharifi - Chief Strategy Officer	Ordinary	-	11,975	-	11,975
Richard Hicks - Chief Marketing Officer	Ordinary	47,587	-	31,598	14,536
Hisham Al Kurdi - Chief Executive - Corporate and Institutional Investment Banking	Ordinary	-	-	-	-
Panos Moschonas - Chief Internal Auditor	Ordinary	55,593	-	35,635	18,144
Russell Bennett - Chief Financial Officer	Ordinary	3,549	-	3,549	-
Gaby El Hakim - Chief Legal Officer and Corporate Secretary	Ordinary	29,185	-	29,185	-
Eduardo Rangel - Chief Compliance Officer	Ordinary	-	-	-	-
Isa Maseeh - Chief Risk Officer	Ordinary	15,968	-	15,968	-
Subah Al Zayani - Head of Retail Banking	Ordinary	-	-	-	-
<b>Total shares</b>		<b>1,180,022</b>	<b>144,700</b>	<b>-</b>	<b>424,164</b>

<sup>1</sup> Shares as at 31 December 2019 include bonus shares issued during the year (where applicable) at the rate of one additional share for every ten shares held.

<sup>2</sup> Represents shares transferred during the year as part of the Employee Share Incentive Scheme.

## Approved Persons interests:

The total interest in the shares held by approved persons and their related parties is as follows:

	Type of shares	31 December 2019	31 December 2018
Total number of shares held	Ordinary	<b>66,612,118</b>	59,494,528
As a % of the total number of shares		<b>4.32%</b>	4.24%

## Remuneration:

## Board of Directors Remuneration Policy:

The Board of Directors is paid an annual remuneration as approved by the shareholders at the Annual General Meeting. While the amount of remuneration is not directly linked to the performance of the Bank, factors such as the Bank's performance, industry comparison and the time and effort committed by the directors to the Bank, are considered for determining the total remuneration. Directors remuneration is accounted as an expense as per International Financial Reporting Standards and CBB regulations, the payment of which is subject to approval by the shareholders at the Annual General Meeting. In addition, the members are paid sitting fees for the various sub-committees of the Board of Directors.

## Employees Remuneration Policy

The employees of the Bank are critical for the Bank's success and future business sustenance. Hence, it is imperative to recruit and retain talented resources from the competitive employment market. In order to achieve this objective, the Bank's remuneration policy is developed to attract, retain and motivate the best talent. Accordingly, employee remuneration and benefits are reviewed and revised in the context of business performance, industry and local practices. In addition to fixed monthly salary and allowances, employees are provided with several other benefits like variable remuneration in the form of bonus, medical, life insurance cover, retirement benefits and employee savings scheme. While doing so, the Bank gives paramount importance to the interests of the shareholders and to this end, the Bank has implemented the Sound Remuneration Practices mandated by the Central Bank of Bahrain. While aligning the compensation of the employees with the risk outcomes and performance levels of the Bank, the revised policies for Variable Remuneration i.e. the Bonus and Share Incentive Scheme also endeavour to align senior management's interest with shareholders' interests. The total variable remuneration paid to all employees including the Share Incentive Scheme is within the range of 8% to 9% of the net profit before the bonus and the variable remuneration of senior management is reviewed and approved by the Nomination, Remuneration and Governance Committee of the Bank.

## Remuneration of Board Members, Senior Management and Fees Paid to External Auditors

The aggregate remuneration paid to Board Members and senior management personnel are disclosed in Note 28 of the Financial Statements.

KPMG Fakhro was the Bank's external auditors for the financial year ended 31 December 2019. Details of the audit fee paid to the auditors during the year 2019 as well as the details of non-audit services and fees paid are held at the Bank's premises, which is available to eligible shareholders upon specific request.

## Status of compliance with CBB's Corporate Governance guidelines (High Level Controls Module)

Banks are required to comply with the High Level Controls (HC) Module of the CBB Rulebook. The HC Module contains both Rules and Guidance; Rules must be complied with, but Guidance may either be complied with or non-compliance explained by way of an annual report to the shareholders and to the CBB.

The Bank has provided the following explanations related to the guidance items below:

## Guidance

- HC 1.3.13 states that no director of a bank should hold more than three directorships in public companies in the Kingdom of Bahrain, with the provision that no conflict of interest may exist, and the Board should not propose the election or re-election of any director who does. Two of the Bank's directors, Mr. Farouk Almoayyed and Dr. Essam Fakhro hold more than three directorships in public companies in Bahrain. However, the Board is of the opinion that this does not impact the effectiveness and efficiency of the Board of Directors, as the directors provide adequate attention to their responsibilities and there are no conflict of interests between their other directorships and that of the Bank.
- HC 1.4.6 states that the Chairman of the Board of Directors should be an independent director. The Bank's Chairman, Mr. Farouk Almoayyed is not treated as an independent director taking into account the business transactions that the Bank has with the Almoayyed Group which is controlled by Mr. Farouk Almoayyed. The Board is of the view that this does not compromise the high standards of corporate governance that the Bank maintains as (i) the business transactions are entered into on 'arm's length' basis following transparent tendering and approval processes (ii) the Bank follows strict policies to manage conflicts of interest in Board decisions (iii) Directors who are interested parties in business proposals considered by the Bank do not participate in decisions related to such proposals.
- HC-1.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.5 allows combination of committees. The Bank has combined the responsibility of the Corporate Governance Committee with that of the Nomination, Remuneration and Governance Committee, which has four members one of whom is independent. The Board is of the view that this does not compromise the high standards of corporate governance as the Nomination, Remuneration and Governance Committee has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfil its responsibilities. As a result of this combination, the Nomination, Remuneration and Governance Committee does not satisfy the requirements of HC-1.8.2, however, it is the Board's determination that the Nomination, Remuneration and Governance Committee is sufficiently independent to meet its requirements and responsibilities, and on this basis the CBB has confirmed that it has no objection to NBB's combination of these committees in this manner.